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March 19, 2015

Charter School Board  
Thurgood Marshall Leadership Academy,  
A Program of Fort Wayne Urban League Inc.  
2310 Weisser Park  
Fort Wayne, IN 46803

We have reviewed the Supplemental Audit Report prepared by Dulin, Ward & DeWald, Inc., Independent Public Accountants, for the period July 1, 2013 to June 30, 2014. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the State Board of Accounts.

We call your attention to the findings in the report. Pages 3 through 6 contain eight audit results and comments. Management's response may be found on Page 9.

In addition to the report presented herein, a Financial Statements and Independent Auditors' Report for Thurgood Marshall Leadership Academy, A Program of Fort Wayne Urban League Inc. was prepared in accordance with the guidelines established by the State Board of Accounts.

The Supplemental Audit Report and the Financial Statements and Independent Auditors' Report are filed in our office as a matter of public record.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

**SUPPLEMENTAL AUDIT REPORT**

**OF**

**THURGOOD MARSHALL LEADERSHIP ACADEMY**

**A PROGRAM OF FORT WAYNE URBAN LEAGUE, INC.**

**Allen County, Indiana**

**July 1, 2013 to June 30, 2014**

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**THURGOOD MARSHALL LEADERSHIP ACADEMY, A PROGRAM OF  
FORT WAYNE URBAN LEAGUE, INC.**

**SCHOOL OFFICIALS**

Year ended June 30, 2014

<b>OFFICE</b>	<b>OFFICIAL</b>	<b>TERM</b>
Treasurer	Noel Winters	07/01/13 to 06/30/14
Principal	Tameka Wilson	07/01/13 to 06/30/14
Chairman of the School Board	Willis Clark	07/01/13 to 06/30/14



**Dulin, Ward & DeWald, Inc.**  
CPAs & ADVISORS

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Offices Located in Ft. Wayne and Marion, Indiana

Board of Directors  
Thurgood Marshall Leadership Academy, a program of  
Fort Wayne Urban League, Inc.  
Fort Wayne, Indiana

We have audited the records of the Thurgood Marshall Leadership Academy, a program of Fort Wayne Urban League, Inc. (a nonprofit organization) for the period from July 01, 2013 to June 30, 2014, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this program are reflected in the Annual report of Thurgood Marshall Leadership Academy, a program of Fort Wayne Urban League, Inc. for the year ended June 30, 2014.

A handwritten signature in black ink that reads "Dulin, Ward &amp; DeWald, Inc." in a cursive style.

Fort Wayne, Indiana  
February 25, 2015

**THURGOOD MARSHALL LEADERSHIP ACADEMY, A PROGRAM OF  
FORT WAYNE URBAN LEAGUE, INC.  
ALLEN COUNTY  
AUDIT RESULTS AND COMMENTS  
Year ended June 30, 2014**

**1. Prescribed Forms**

The School utilizes forms and reports, but not all forms and reports are prescribed or approved forms.

All the necessary forms for fund, program and object accounting are prescribed by the State Board of Accounts in accordance with the Indiana Public Accounting Law. These forms can be used in their original design for manual systems. Although the accounting forms and ledgers cannot be used in systems utilizing electronic data processing equipment, such systems must provide, as a minimum, the information contained in the manual system with no changes in the fund accounting requirements or the classifications of receipts and expenditures. (This is a repeat comment.)

When the forms and ledgers are modified for use with computer hardware and software, they must be submitted to the State Board of Accounts for approval as replacements for the prescribed forms. The approval process necessitates submitting to the attention of the State Examiner, each of the forms exactly as they must be modified for use with a computer and a letter from the charter school requesting approval for use in the system of the charter school. The forms submitted shall be a facsimile of the prescribed system (headings of reports, etc.). Otherwise a cross-reference to the prescribed form intended to be replaced shall be submitted. (Accounting and Uniform Compliance Guidelines manual for Indiana Charter Schools, Part 1 – Prescribed Forms)

**2. Internal Control – receipts and deposits**

The School utilizes the services of American Quality Schools (AQS) in Chicago, Illinois for its bookkeeping services. Because of this relationship, a local bank is not used to deposit cash and checks received at the School. The responsible person at the School counts the money received and fills out a worksheet detailing the type and amount of cash and checks, which is then signed by two individuals and sent via Federal Express to AQS. When received at AQS, the funds are recounted and a deposit slip is made up and the funds are taken to the bank. As a result, in all transactions tested there was more than 24 hours between the receipt of cash and the deposit in the bank. (This is a repeat comment.)

All charter school money must be deposited in the designated depository not later than the business day following the receipts of funds on business days of the depository in the same form in which the funds were received. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8 – Internal Controls)

### **3. Cash Transactions**

The School collected money from students for fieldtrips, caps and gowns, school clothing, fees and fundraising. The money collected was not sent to AQS to be deposited. This money was maintained at the school and the cash was used to pay for the items. While receipts were issued for all cash received, neither the cash receipts nor the cash disbursements were recorded in the financial records.

All financial transactions pertaining to the charter school must be recorded in the records of the charter school. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10 – Prescribed Forms, Taxes and General Information)

Tickets, goods for sale, billings and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the charter school. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10 – Prescribed Forms, Taxes and General Information)

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10 – Prescribed Forms, Taxes and General Information)

### **4. Purchase Orders**

The test of vendor disbursements found two instances where purchase orders differed from the actual amount of the purchase.

The charter school must establish procedures for the initiation, approval and use of purchase requisitions and purchase orders. The procedures must include limits on approval of purchase orders after the purchase to emergency situations and all blanket purchases must have a fixed monetary limit. Upon receipt of the goods and services a charter school employee must verify the condition, quantity and quality of the goods or services prior to payment of the invoice/bill/contract. Supporting documentation, such as invoices, shall be compared to purchase orders to ensure the prices, quantities, etc. are correct prior to payment. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8 – Internal controls)

## **5. Penalties and Interest**

The test of vendor disbursements found one instance where late charges were paid totaling \$1.72.  
(This is a repeat comment.)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10 - Prescribed Forms, Taxes, and General information)

## **6. Gift Cards**

The school purchased gift cards, which are essentially the same as cash, without any documentation as to whom the gift cards were given or why the gift cards were purchased.

The State Board of Accounts will not take exception to the use of gift cards by a Charter School provided the following criteria are observed:

1. The Charter School Board must authorize gift card purchases through a resolution, which has been approved in the minutes.
2. The purposes for which gift cards may be issued must be specifically stated in the resolution.
3. Purchase and issuance of gift cards shall be handled by an official or employee designated by the school principal.
4. The designated responsible person or employee shall maintain an accounting system or log which includes the name of the business from which the gift cards were purchased, their amounts, fund and account numbers to be charged, date the card was issued, person gift card was issued to, proof that the gift card was received by the person it was issued to etc.
5. Gift cards shall not be used to bypass the accounting system. One reason that purchase orders are used is to provide the fiscal officer the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
6. Procedures for payments shall be no different than for any other claim. The school principal must approve the expenditure and supporting documents such as paid bills and receipts must be available. Additionally, any purchase or issuance of gift cards without proper documentation may be the responsibility of that officer or employee.

(The Charter School Administrator and Uniform Compliance Guidelines, Volume 2, March 2013)



## **7. Payroll Taxes**

The School has contracted with American Quality Schools, an Illinois corporation, for the management of the School. The contract outlines the responsibilities the School has delegated to the management company including the employment of teachers and the collection and payment of payroll taxes. Several teachers hired between July 1, 2012 and March 31, 2014 were inadvertently set up in the payroll system as having opted out of social security taxes, which is allowed for Illinois teachers who participate in the Illinois teachers' retirement system. However, the School's employees are Indiana employees, and Indiana does not have this option. Therefore, social security taxes were incorrectly withheld from payroll, and the School did not correctly report and has not paid its obligation for social security taxes. (This is a repeat comment.)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10 - Prescribed Forms, Taxes, and General information)

Each charter school is responsible for compliance with all rules, regulations, guidelines and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10 - Prescribed Forms, Taxes, and General information)

Payments made or received for contractual services must be supported by a written contract. Each charter school is responsible for complying with the provision of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10 - Prescribed Forms, Taxes, and General information)

## **8. Expense Reimbursement**

The test of disbursements found instances where employee expense reimbursements for meals were made based on credit card receipts without a detailed bill of what was purchased. All meal reimbursements did include the required business purpose information.

(continued)

**8. Expense Reimbursement** (continued)

Expense Reimbursement: All claims, invoices, receipts and accounts payable vouchers shall contain adequate detailed documentation. All claims, invoices, receipts and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for which amounts are claimed, including the nature, name and purpose of the business meeting, to enable payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10 – Prescribed Forms, Taxes and General Information)

Credit Cards: Payment shall not be made on the basis of a statement or a credit card slip only. Procedures for payments shall be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10 – Prescribed Forms, Taxes and General Information)

**THURGOOD MARSHALL LEADERSHIP ACADEMY, A PROGRAM OF  
FORT WAYNE URBAN LEAGUE, INC.  
ALLEN COUNTY  
EXIT CONFERENCE**

The contents of this report were discussed on February 24, 2015 with:

Willis Clark – Chairman of the Board

Jonathon Ray – President and CEO of Fort Wayne Urban League, Inc.

Dr. Alfred Brothers – Finance committee member

Tiffani Cooper – Accountant, American Quality Schools

Patricia Yadgir – Vice President, American Quality Schools

The officials concurred with our audit findings. The official response has been made part of this report and is on page 9.

**THURGOOD MARSHALL LEADERSHIP ACADEMY, A PROGRAM OF  
FORT WAYNE URBAN LEAGUE, INC.  
ALLEN COUNTY  
OFFICIAL RESPONSE**

PAYROLL TAXES

The School concurs with the finding regarding the nonpayment of social security taxes. American Quality Schools (“AQS”), as agent for the Board of Directors of Thurgood Marshall Leadership Academy (“TMLA”), has the obligation to correctly withhold, report and pay to the Internal Revenue Service the social security taxes withheld from employees and the associated employer match. As indicated in the finding, social security taxes for certain AQS employees of TMLA were not appropriately withheld and paid. AQS recognizes its responsibility and liability in this matter and will be contacting the IRS to discuss the issue, the amount owed and arrange for a payment plan to resolve the issue. Fort Wayne Urban League, Inc. and its Board have no liability or responsibility for payment in this matter.

ALL OTHER FINDINGS

The School concurs with all other findings and will work with the management company to resolve those issues.